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UNCLAS SECTION 01 OF 05 MEXICO 000202

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SUBJECT: U.S.-Mexico Relations: Progress in 2009, Challenges in 2010

¶1. (SBU) Summary: The U.S.-Mexican bilateral relationship has never been stronger. We ended 2009 with an unprecedented commitment from the Mexican government to work closely with us on an ambitious effort to move beyond a singular focus on high value targets and address some of the institutional and socio-economic constraints that threaten to undermine our efforts to combat the cartels. A truly joint effort to implement a new U.S.-Mexico strategy is yielding stronger organizational structures on both sides and a deeper understanding of the threat posed by the drug trafficking organizations. In the coming year, we will help Mexico institutionalize civilian law enforcement capabilities and phase down the military from street patrols, for which it has neither legal authority nor training. A new dialogue on human rights with the Mexican government and a defense bilateral working group will reinforce that effort and help modernize the military.

¶2. (SBU) As we institutionalize the security agenda we will also need to give more attention to the economic and social agendas. Efforts to strengthen mutually beneficial competitiveness in 2010 will focus on identifying new cross border production opportunities, spurring innovation, building a modern 21st century border, and supporting an energy and environment agenda that is a top priority for the Calderon administration and offers huge potential for future investment and economic development. Our economic recovery and Mexico's go hand in hand, and U.S. export-led successes are depending increasingly on partnering with Mexico's manufacturing capability. At the same time, we will have to resolve the lingering trucking dispute and other trade irritants while using carefully targeted and limited assistance to spur additional spending on poverty alleviation by the Mexican government, the IDB and the World Bank. End Summary

Some Operational Success

¶3. (SBU) Several successful operations by the Mexican government against well known drug lords over the last month reflect both the progress we are making in strengthening our bilateral relationship and the challenges we face to expand those gains in 2010. The Merida assistance money is flowing despite misleading public reports -- 700 million in equipment and technology will be

delivered under Merida through 2010 plus more in technical assistance and training -- and it is helping to deepen law enforcement capabilities and translate critical intelligence into more effective operations. The challenge is to use effectively the capabilities we are creating.

14. (SBU) The integration of intelligence and operations is improving. A failed operation in mid-December to capture Beltran Leyva led to a brutally honest exchange with the Mexican authorities. The following week Mexican Special Forces conducted a well executed operation to track down Beltran Leyva. The week before the Federal Police ran another operation launched from Brownsville, Texas into Matamoros. Still, the drug traffickers are not resting, as demonstrated by the tragic killing of the family of a Mexican marine who participated in the raid on Beltran Leyva. Senior Mexican officials, including President Calderon, have told the Ambassador personally that they are not backing off, and if anything Mexican resolve is stronger.

Political Context

15. (SBU) That resolve has to be seen in the context of Calderon's political challenge. His numbers have dropped over the last year but remain above fifty percent, in keeping with a Mexican tradition of strong popular support for the President. He scores well for his toughness and determination but economic worries still dominate the electorate and on these issues he scores somewhat lower. This

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explains a new ordering in his public statements that is putting jobs and recovery slightly ahead of the fight against DTO's. That will actually support our efforts to broaden our approach and help address some of the socioeconomic issues that are feeding into the organized crime problem. Some of the other areas that we will be working on - legal reform and our zero tolerance for violence with citizen groups - will offer some inroads for delicate discussions with the government on messaging, which at times forgoes themes of modernization and rule of law for more sensational images which confuse the public.

Expanded Vision

16. (SBU) The vision guiding our work is stronger, reinforced by the President's trip to Guadalajara in August, the Secretary's meeting with the Foreign Secretary Espinoza in September and nourished by the many high level visitors - NSC Director John Brennan, Deputy Secretary Lew, Undersecretary Otero, Assistant Secretary Valenzuela, DNI Blair, Assistant Secretary of Defense Stockton, Generals Renuart and Stutzreim and others - who visited Mexico in the last quarter of 2009. We are no longer fixated on capturing high-value targets, even though that remains necessary. Now we are moving to assess and penetrate the drug trafficking organizations (DTOs) as corporations, and to build the civilian institutions to enforce the rule of law. This will require additional intelligence capacity, especially on tracking money flows. We have an excellent cadre of interagency experts at post and DNI and the interagency are both engaged at senior levels. We need to develop a comprehensive strategy to get at the DTO's money and not be driven by uncoordinated individual cases.

Lowering Military Profile

17. (SBU) As a result of our expanded discussion, the GOM is looking for ways to lower the profile of the military in the cities along the border. Our joint bilateral assessment missions to Tijuana, San Diego, Ciudad Juarez and El Paso, have helped with this and generated a new willingness to look at ways to strengthen the role of the police and local civilian authorities that will help reinforce the weak connection between the military's efforts in the cities and legal prosecutions. In Ciudad Juarez, the military transferred its local command in the early part of 2010 to the federal police. Already 1,600 federal police have deployed. We are engaged with the Mexican authorities on new command and control arrangements. The first stages will be messy, but this is a massive step forward, influenced by our attention to performance and human rights. The goal is to develop civilian enforcement

models that could help get the military into support functions.

Looking at Socioeconomic Factors

¶8. (SBU) The new strategy is also encouraging the Mexicans to look at the poverty and marginalization of communities exploited by the drug trafficking organizations (DTOs). For the first time, the GOM agreed to engage on a socioeconomic agenda targeted at communities to stop the flow of recruits to the DTOs. Pilot projects in Ciudad Juarez and Tijuana could pave the way for other cities. USAID has already had success with models to issue state and municipal bonds to support job creation and infrastructure. But there is no means to align federal, state and municipal programs, budgets and policies into coherent community programs - a classic urban planning conundrum. We are working out options to integrate urban planners, and perhaps to leverage funds from the DoD Counter-Narcotics budget.

Human Rights and Community Engagement

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¶9. (SBU) We have not neglected legitimate concerns in Congress and the NGO community about missteps in the area of human rights. Recent decisions at the Inter American court and the appointment of new leadership at the Mexican National Commission on Human Rights have opened up new space for discussion and programmatic efforts that can help build transparency and reinforce legal protections. We have worked out the details of a new bilateral dialogue on human rights that will include the military, police and legal authorities that will be launched in early February. We are consulting with the NGO's as well through a regular dialogue focused on a set of focused priorities aimed at improving the human rights situation in the future and opening up new avenues for information about past violations. This work is delicate and it must not be presented or perceived as a vendetta against the Mexican military. A parallel effort in a new bilateral defense working group, chaired on our side by DoD/OSD Assistant Secretary Stockton, will be working with the Mexican defense establishment on a broader agenda keyed to modernization. NORTHCOM is also working on a human rights training program that will address issues of military justice, and look for ways to reinforce civilian protections in the military's doctrine and training.

¶10. (SBU) Another element of our human rights strategy is focused on citizen groups in an effort to build a national consensus that is unambiguous in its rejection of criminality and violence. This effort was given a big boost by the Alliance of Youth Movement conference we held in October, which opened up new links with individuals, NGOs and other organizations using social networking media. This began a promising project to get Mexican cell phone companies to make available free SMS messaging to "denounce" acts of violence with security tips. The hot line project is moving, but details are still to be worked out: information has to get from cell phones to police stations anonymously and in real time; the police need to be trained to respond; public awareness and confidence needs to be built through a public information campaign; and NGOs will have to monitor performance. We will need to engage community NGOs and the media to reinforce national efforts and U.S. experts will need a Mexican counterpart to run the local operations and carry this forward. We have gotten critical support from Senior Advisor Ross and hope to bring together all of the pieces by the end of February.

Unprecedented Cooperation

¶11. (SBU) The considerable progress on all these fronts would not be possible without the Mexican Government's commitment to work with us in a way that is unprecedented. This is not only a huge step forward for our bilateral relationship but it is also helping to stimulate the creation of a genuine Mexican interagency coordination process. The Mexicans have created a Deputies Committee. They meet with our Embassy team and me at least every two weeks, and usually more often. We have working groups on each of our strategic goals. Assistant Secretaries in each program area have met at least twice to ensure that those with policy and implementation responsibilities engage directly. At the end of

January, NSC Director John Brennan and his Mexican counterparts will review our strategic plans in a joint Policy Coordination Group meeting that will launch the intensive work on implementation and prepare for possible senior level visits in 2010.

Economic Agenda - Joint Competitiveness

¶12. (SBU) As we institutionalize the security agenda, we will focus more on economic competitiveness and energy in 2010. To date, macroeconomic recovery has absorbed 70% of the economic agenda and trade disputes have taken up another 25%, leaving only a small residual to advance Mexican and U.S. competitiveness in a

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global economy. It is striking that our major industrial and service groups cannot today produce globally competitive cars and tractors in the United States without integrating their production lines with Mexico. We are working to document this - but the anecdotal evidence is profound. While we may lose some jobs in some sectors to Mexican labor, on the whole we would lose more to other regions of the world if Mexico did not help us to reduce our production costs. With Mexico's substantial portion of our imports and as an important destination for U.S. investment, improving Mexico's competitiveness is a mutually beneficial goal. These are key areas where we will focus attention:

--Modern Border: We need to reconceptualize the border to extend it to transit hubs throughout Mexico and the United States, and move our security and customs operations to these decentralized points. As long as border operations are limited to a geographic line between the United States and Mexico, we will be bound by physical space and infrastructure. If we create multiple customs points in cities like Monterrey and Guadalajara, we can expand processing capacity and accelerate transit. GPS technology will let us track trucks and trains to confirm that they do not get diverted and opened. Only by moving in this direction can we shatter the physical stranglehold on our borders.

--Resolve Trucking: We have to resolve our trucking dispute with Mexico. Every study has shown that Mexican truckers on U.S. hauls have performed better than their U.S. counterparts. Our block on transit flows from Mexico to the United States is hurting our industry, and if we do not fix this, it will lead to more tariffs under NAFTA against U.S. products. With health care reform on the verge of passing, we need a high-level political push to get this issue on track.

--Energy and Environment: The energy and environment agendas have huge potential, especially with Mexico hosting the next UN Framework Convention on Climate Change in December 2010. Already we are gaining traction on commercial investment in renewables. EXIM approved in December an \$80 million guaranty for wind power to accompany \$150 million in Inter-American Development Bank (IDB) funds. We will focus more on harmonized regulations and tariffs that will create the incentives for investment in Mexico that can supply renewable power north of the border and contribute to our renewable portfolio standards.

--Poverty: Squarely a Mexican responsibility, but a country of 113 million with a 45% poverty rate on our border affects immigration flows, DTO recruits and prospects for internal stability in Mexico. Our community-based pilot programs on security provide an entry point to engage. Small investments on our side will leverage billions from the Mexican budget, the IDB and World Bank.

Comment

¶13. (SBU) These issues are hugely sensitive because they are at the heart of Mexico's sovereignty. We will have to be sensitive to the special historical significance of 2010, the two hundred year anniversary of Mexico's independence and the centennial of its revolution. The challenge will be to ensure that, at least as far as we are concerned, the commemoration draw from history but celebrate the future. Our bilateral relationship has never been stronger or more mature. Many of the old anti-American shibboleths are dead or dying, and the real political reform that many believe

will happen in the near future will sweep away a number of the remaining vestiges of the "Yankee go home" sentiment. Our cooperation in 2010 can take us a long way to create the kind of partnership that will help us in regional and even global terms. We will need the resources and continued senior engagement in order to

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implement our comprehensive strategy and consolidate the gains we have achieved so far.

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